STATEMENT OF MARION C. BLAKEY, ADMINISTRATOR
FEDERAL AVIATION ADMINISTRATION, BEFORE THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, SUBCOMMITTEE ON AVIATION ON AVOIDING SUMMER DELAYS AND EFFORTS TO REFORM THE FAA AIR TRAFFIC SYSTEM, ON MAY 13, 2004.

Good morning Chairman Mica, Congressman De Fazio, and Members of the Subcommittee. It's my pleasure to appear before you today on behalf of the men and women of the Federal Aviation Administration. I will discuss our plans to ease air traffic congestion this spring and summer. With me today is Russ Chew, the Chief Operating Officer of our new Air Traffic Organization (ATO). Russ will provide you an overview of the ATO's structure and why its success is crucial to the future of air traffic. As you know, Russ is a veteran of this industry, but today marks his first opportunity to testify as COO. A COO for the FAA has been long awaited.

This morning, I will share with you our strategic plans to deal with the upturn in air traffic this spring and summer. But, before we discuss capacity, delays, and how we plan to simplify our management structure, please permit me to address safety. As you know, safety is and will always be this agency's top priority. It is Secretary Mineta's first and foremost priority, and it is mine. Every decision we make is done with the safety of the flying public in mind. The passenger demands safety, and that's what we deliver. I am pleased to announce that the three-year commercial airline accident rate is the lowest in history. That's a tribute to the men and women of the FAA and the industry we support.

Combating Delays

It has been three years since the FAA spoke to this Committee about delays. Aviation's return to full strength is a clear signal that our nation and our industry are healing. Confidence in the system is being restored daily -- passengers are returning, demand is increasing, and these are all positive indications that aviation is on the mend. In 2000, commercial activity and passenger demand levels were at an all time high, and so were delays as a result. The agency began implementing new delay management tactics. Since then, the traveling public, Congress, industry, and general aviation -- entities we now refer to as the owners and customers of the system -- began seeing results.

Following 9/11, the agency worked with this Committee and industry stakeholders to prepare for the inevitable return of air traffic. We needed to ensure that the agency was better situated to avoid the crisis of past summers. However, some aviation markets have fared better than others, and new trends have emerged. Low-cost carriers have become increasingly more profitable, while the larger "legacy carriers" have been restructuring and downsizing. Also, regional and commuter carriers have been replacing and supplementing flights once dominated by legacy carriers, as well as introducing new services that use longer range regional jets. As a result, we are seeing significant growth in the regional carrier market, and we expect it will continue to grow.

The changing demands of the market are being factored into how we manage capacity needs. Ultimately, we project that overall passenger demand and commercial activity at FAA air traffic facilities will return to pre-9/11 traffic levels by 2005. Some markets

already have. Fourteen of this country's top 35 airports have already exceeded their weekday operations' numbers April 2004 over April 2000.

As the aviation industry continues to rebuild, we are taking immediate and direct steps to avert a repeat of past delay-riddled summers. Our plan contemplates the myriad of factors -- some well beyond our control -- that contribute to system delays, including weather, security, airline operations, air traffic control, airports, infrastructure, and equipment. We are confident that this approach will provide effective inroads to manage the surge in traffic that will coincide with the busy travel season.

Just over two months ago, we convened "Growth Without Gridlock," a first-of-its-kind meeting of industry decision makers and the government. In a show of unprecedented cooperation among system stakeholders, the group agreed to a series of new procedures designed to head congestion off at the pass. We are moving away from the "first come-first served" model of air traffic when demand far exceeds capacity by issuing revised flight plans or rerouting some aircraft away from problem areas. The agreements at this meeting allow us to maximize utilization of available airspace under adverse conditions. Simply put, we're attacking delays from a "big picture" perspective, as opposed to using traditional, local tactics.

We also will impose minor delays on the ground to avert massive delays across the nation -- a concept we call "delay triggering." When delays at an airport are anticipated to reach 90 minutes or more, other airports sending aircraft into the congested area will hold flights until our controllers clear the congestion. Although this may mean brief delays for some flights, it will help prevent the massive delays that can occur system-wide when

critical airports become gridlocked. Tactically, we will also keep certain parts of the airspace around congested airports clear to allow for more rapid departures. This "express routes" concept is already in place at some airports, and we will continue to refine our initiatives by seeking feedback from air traffic controllers and industry on a daily basis.

In addition, we reached agreement to improve communication among the system users and the FAA. Airlines agreed to improve their input to the FAA's flight schedule monitor system so that it will more accurately reflect the latest airline schedule plans. This move reduces unused airport capacity when flights are rescheduled or cancelled. Flight plans will be filed earlier, allowing for more time to address potential congestion problems. In addition, our relationship with the air carriers who participate in our daily conference calls has become more cooperative, reflecting our common understanding that we all have a stake in the process. The conference calls – every 2 hours during much of the day -- also provide an opportunity for feedback. Customers let us know if they believe they were disadvantaged by a prior day's delay reduction measures or if they have ideas on how we can all improve the system. We take a hard look at the metrics, and we learn from mistakes. Continued cooperation is essential to the success of our spring and summer management plans. Delays are bad for business, regardless of which side of the ticket counter you're on or where your general aviation flight is headed.

We've also begun an outreach program for the flying public, making it easier for the traveler to find out how efficiently the system is moving. Just yesterday, we made available *www.FAA.gov/wireless*, a new service. Now, travelers can get real-time airport

status and weather information, sent directly from the FAA's air traffic command center to their cell phone, Blackberry, or Palm Pilot. If you have a wireless PDA, you can find out in an instant what's going on with the system.

We're using the Internet as well. We've made arrangements with several commercial on-line travel services, such as Expedia, Orbitz, Travelocity, and Cheaptickets.com, to provide their websites with travel tips and updates on our efforts to reduce delays during the summer. And, we're in the process of making airport-specific flight delay alerts and information available via e-mail to individuals.

Our goal is to keep the passenger informed every step of the way. But, in the end, the passenger must check with the airline since they are the actual provider of the service.

I'd like to take a moment to recognize this Committee's role in addressing system capacity constraints. With the passage of *Vision 100 – Century of Aviation Reauthorization Act*, you provided additional tools to address unexpected challenges that threaten to reduce capacity or cause delay at critical chokepoints. We must be ready to react to situations when they unfold. In fact, *Vision 100* enabled us to take early action at Chicago O'Hare International Airport that reduced the over-scheduling and the resultant excessive delays that can impact the entire National Airspace System.

Two major carriers have hubs at O'Hare. The competition for market share is compounded by the obvious physical limitation on the number of planes that can take off and land during any time period. Moreover, it has been well demonstrated over the years that delays at O'Hare have the potential to cause delays at as many as 40 other airports

nationwide. Consequently, managing delays at O'Hare is essential to the effective management of air traffic nationally. Just recently, steady increases in flights, as the slot rules were phased out, led to growing delay levels. Because of the legislation you passed that enabled us to take action, Secretary Mineta and I asked United Airlines and American Airlines to make a 5 percent schedule reduction during peak travel times. This took effect March 4, and these two airlines will now further reduce their overall peak-hour schedules by another 2.5 percent by June 10. They will also adjust flights in key periods so that scheduled arrivals are within the airport's good weather capacity limits. Secretary Mineta has played a pivotal role in working with me to obtain the flight reductions that have proved to be so important in managing the delays in Chicago. The Secretary further demonstrated his commitment that he will continue to be proactive with respect to Chicago by traveling to O'Hare to speak with airline officials and tour the operational facilities of both American and United Airlines. He also spent time with some of the FAA employees who work so hard to make the system work at this challenging airport. I can assure you, on behalf of the Secretary, that we will closely monitor the changing situation at this critical facility and will use all tools available to us to safely manage the demands for capacity with whatever weather or schedule issues we are faced in the coming months.

The statistics we have reviewed with respect to our actions in Chicago do not alone tell the whole story of our challenges at O'Hare. It is important to understand that we experienced more severe weather this March than in March 2003, and had we not

reduced operations by 5% between 1:00 p.m. and 8:00 p.m. at O'Hare, the delays would have been significantly worse in Chicago and across the country. The efforts of both airlines to help address a common delay problem represent the cooperation we are counting on for this year's spring and summer plan.

Although it is not the focus of today's hearing, I would like the Subcommittee to know that our plans for improving the air traffic system extend well beyond the plans for this spring and summer that I have just detailed. Our Operational Evolution Plan is a rolling ten-year plan to increase capacity and efficiency of the national aviation system while enhancing safety and security. The OEP's objective is to add capacity enhancements that will accommodate a 30 percent increase in aviation growth over the ten-year period. Since the plan's inception in 2001, there has been a 6.5 percent increase in effective capacity due to both OEP activities as well industry initiatives, such as industry de-peaking that I noted above.

For the development of longer term plans and concepts for the air traffic control system, we have established, under the direction of *Vision* 100, an inter-agency Next Generation Air Transportation System Joint Planning and Development Office (Office). Its mandate is to coordinate goals, priorities, and research activities not only within the Federal Government but also in partnership with United States aviation and aeronautical firms. In creating and carrying out an integrated national plan to meet the future safety, security and capacity needs of the air traffic system, the Office will develop a vision statement for the year 2025 and capture the major intermediate steps and priorities that represent the coordinated decisions of member agencies, including NASA, DOD, DHS, and Commerce. While these decisions will be in broad four-to-five year windows, it will be

the individual agencies that will prioritize the specific projects and programs needed to carry out their individual portions of the national plan. Both the Secretary and I believe that the combination of these plans and programs—both near-term and long-term--will well position us to meet the future needs of the system.

Mr. Chairman, with a comprehensive plan in place, cooperative initiatives underway, and thanks to the tools provided to us by this Committee, we are ready for the spring and summer travel season.

Status of the FAA's Air Traffic Organization

Thanks in large part to the continuing strong support from this Committee, the FAA is completely restructuring how we manage air traffic services. Congressional support for greater efficiency and accountability at the FAA has enabled the FAA to be more flexible, adaptable, and business-like. Today, I want to tell you about our most recent changes and what you can expect to see in the future.

First and Foremost is Safety

We have added a new safety office to monitor the safety of our air traffic operations. It's an extra set of eyes. We've placed this office outside the ATO to ensure its independence, locating it within the FAA's Office of Regulations and Certification. We've also added a Vice President for Safety Services to the ATO, and we will conduct risk-targeted, data-informed audits that will provide trend analysis and review systemic issues. System change is essential to meet system challenges. Customers, the people, and entities who use our system want an agile organization that can adapt to the their

requests for greater access -- and that is what we intend to provide. Indeed, with every change, we will ensure that safety is always our top priority.

Improving the Way We Manage Our Resources

We are taking the first steps toward fundamental change in the way we manage our finances and resources. Prioritization and realignment of resources is critical to the ATO's ability to manage the revenue generated by our tax-paying customers. It must be carefully allocated to match the strategic growth outlined in the FAA's Flight Plan.

To obtain a more results-oriented, more accountable process that will stem the growth of operational costs, we are integrating the authority and accountability for capital investments with the ATO. In the past, capital programs and operations have been managed separately, and success had been driven and defined by completing the capital program. But the operational outcome of the capital investment was not always measured, so the definition of success was not results oriented. Further, from a fiscal perspective, the capital budget was poorly linked to the future operating costs of any given procurement. Consequently, operational costs could increase year after year with no real consequences to the capital decisions or program portfolio.

Through a more integrated approach to managing capital and operations, the ATO will be in a better financial position to make long-term investments. We expect to be able to reduce our unit operating costs and fund near term operational improvements that are most important to our customers, employees, and the owners of the system – as represented by all of you.

To do this, we are also developing new financial management tools to understand unit cost and productivity that will make a real difference in our fiscal effectiveness. Field managers need to recognize the costs of their decisions and headquarters' managers need to know which facilities are most efficient. Right now, the financial information is only reported at such a high level that neither the field nor headquarters' managers are receiving their cost data in sufficient detail. In addition, our capital assets are not being depreciated, which further contributes to the lack of important fiscal information reaching the people who need it to manage resources effectively. In the future, each Vice President will know the value of their decisions -- measuring their service performance -- in terms of safety and efficiency -- and what it costs to achieve it. To that end, we are developing new cost reports that include labor distribution information. Timely reporting on safety, costs, and operational performance will give us a better understanding where our limited resources are being used.

Focused on Improving Service

Modernization is not just about procuring new systems -- it is about sustaining existing infrastructure and changing operations to increase safety, expand capacity, and improve operating efficiency. Over the next few months, you will see us place greater emphasis on cost and value while maintaining our focus on safety. We will balance our capital investment portfolio so we can improve our services while we reduce our operational costs.

While it is true that a large part of the capacity solution comes from modernization in technology, it is not widely understood that modernization also depends heavily on our

operations budget. For example, airspace redesign requires modeling and simulations, drafting and testing of new procedures, human factors and safety analyses, new publications and charts, and everyday monitoring and collaboration with our customers. This is a critical part of our comprehensive effort to meet the future demand needs of our customers. However, it is funded through the operations, and not the F&E budget. Eventually, all new investments in technology must be linked to our operations budget. That's why it's so important to invest only in those new technologies that our customers really need.

As of today, we are working to understand better what products and services our customers value. We want to eliminate unwanted services so that we can better invest in the products that will improve the system. Our activity value and workflow analysis, currently being executed with the help of Booz Allen, will help us to prioritize our services, improve customer service, and meet our owner needs. It will enable us to better realign our resources to meet current and future priorities. Understanding what is valued at all levels of the organization will help us to focus our resources on activities that our customers value the most. When unit costs of our air traffic services are linked to the most valuable products, it will be apparent which activities should be targeted for process improvement and/or capital investment. We intend to share this information with you by offering you greater transparency into our decision-making process, including critical discussions regarding safety, the value of our services, and the costs of providing each product and service.

The organizational structure of the ATO must also reflect the highest value for your investment. Ensuring organizational excellence means more people who actually provide the products and services, with fewer, more effective people managing them. There needs to be fewer layers between the people doing the work and the executives in the organization. Even in our largest and most remote field organizations, we have reduced the number of management layers from eleven to six. In addition, the managerial span of control target has been increased to eight staff employees per manager. But streamlining the organization, in and of itself, means little unless you empower the managers by giving them the information necessary to make informed decisions and be accountable for them. But we're not waiting for our final realignment before making changes. Even though the ATO was only started in February, we are optimistic about seeing some early productivity and efficiency improvements by the end of this fiscal year.

But beyond today's operation, organizational excellence is essential to understanding and executing a strategy for supporting economic growth by increasing capacity and meeting the growing demand for our services. A flattened management structure improves communication, streamlines operations, speeds decision-making, increases productivity, and supports innovation. We are training all managers to use unit cost and performance information to make results-oriented decisions. In the future, our managers will be better able to prioritize our investments in the system and reduce our operational costs. No longer will one line of business make purchasing decisions for another line of business to use. So in these ways, we have created a new organization that will help us meet the air traffic demands of this century.

Mr. Chairman, a lot is being asked of the people who work for the ATO, but we are convinced that they are up to the challenge. As owners of the system, we want to work closely with you to implement the changes we've described, and to demonstrate the effectiveness of this new, more results-oriented approach. I look forward our continued collaboration and support.

This completes my statement. I will be happy to answer your questions at this time.